

**MINISTRY OF LOCAL GOVERNMENT AND PUBLIC WORKS**

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**Ref: CX/53**

**Local Authorities Circular No:**

**11 October 2021**

**All Town Clerks**

**All Town Secretaries**

**All Chief Executive Officers**

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**Annual Budget Preparation for Local Authorities: 2022 Financial Year**

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**1.0: Introduction**

**1.1** The Minister of Finance and Economic Development issued the Budget Call Circular In compliance with section 305(1) of the Constitution of Zimbabwe and Statutory Instrument 127A of 2021, [Public Finance Management General Regulations]. Section 47 of the Public Finance Management Act [Chapter 22:19] ,Section 288 of Urban Councils Act [Chapter 29: 15] and section 121 of Rural District Councils Act [Chapter 29:13] requires Local Authorities to prepare and submit estimates of revenues and expenditures before the beginning of the Budget year.

**1.2** The 2022 budget preparation process shall be guided by Treasury Circular Number 1 of 2021 which gave guidance on the 2022 integrated Planning. Treasury Budget Call Circular Number 3 of 2021 [Annex 1] gives further guidance on the preparation of the 2022 budget on a global level. This include the fiscal policy, budget framework 2021-2024.

### **1.3 Local Authorities must be seen to play their part to assist the nation to:**

- a. Grow the economy at an average 5% for the next five years,
- b. Maintain fiscal deficits averaging not more than 3% of GDP,
- c. Lower inflation to within the SADC inflation targets range of 3% to 7% by 2025,
- d. Increase forex reserves to at least six months' import cover by 2025,
- e. A market determined exchange rate regime,
- f. Maintain public and publicly guaranteed external and domestic debt to GDP at below 70% of GDP,
- g. Maintain a current account balance of not more than -3% of GDP,
- h. Improve infrastructure development in energy, water, sanitation, roads and housing,
- i. Accelerate value addition and beneficiation in agriculture and mining
- j. Fully accrual based by 2025.

The Nation can achieve these targets only if at the local level affirmative action is taken assisted by jointly programming with other branches of government, including the utilisation of Economists deployed at Provincial Development Coordinators' and District Development Coordinators' offices.

## **2.0 Economic Outlook**

10.1 The economic outlook is guided by the Treasury Budget Call Circulars Number 1 & 3 distributed to all Local Authorities.

## **3.0 Realistic forecasts**

There should be an intentional planning to correct Local Authorities databases. Incomplete Local Authorities database is affecting revenue generation and efficient service delivery planning.

#### **4.0 Citizen Engagement**

SI 135 S13(c) demands that rate payers be adequately consulted and afforded time to be heard. Administratively, participatory budgeting fosters trust, ownership, stimulates mutual respect, shared principles and common expectations amongst ratepayers and Council. Councils must therefore be innovative and embrace ICT to continuously improve citizen engagement. Noting the need for intensive citizen engagements and inclusivity in the planning and budgeting processes, it is critical to observe Covid 19 pandemic guidelines.

#### **5.0 Programme Based Budgeting**

Local Authorities are reminded to adhere to the agreed Programme Based Budgeting structures. PBB reporting templates as prescribed by the Ministry should be strictly adhered to.

#### **6.0 Resources Mobilisation**

The sustainability of Local Authorities and enhancement of service delivery is hinged on the capability to exploit all revenue streams obtainable by councils. Councils must have justifiable revenue raising systems and avoid excessive dependency grants. Devolution funds are expected to augment own revenue which mostly has to finance recurrent expenditure.

#### **7.0 Valuation Roll**

7.1 Valuation of assets is of paramount importance to Local Authorities as it forms a basis for reporting in compliance with IPSAS.

7.2 General Valuation Rolls are a fair and transparent way of charging rates and get real value from properties within a local authority's jurisdiction. All Local Authorities without valuation rolls are required to provide for general valuation in the 2022 budget.

## **8.0 ICT Usage**

The use of Enterprise Resource Planning (ERPs) and the activation of inactive modules is key and must be adequately budgeted for. Local Authorities should utilise digital platforms in formulating annual budgets and those not on the platform should work towards fulfilling this in the succeeding year. The operational portion of the Devolution Grant may be utilised for this purpose as a priority.

## **9.0 Tariff setting**

Local Authorities must provide services on a cost recovery basis. Clear cost build ups to tariffs will enhance setting of appropriate tariffs and creates clarity to rate payers. Expenditure or resource allocation should be driven by the receivable revenue envelope. Tariff standardization is encouraged on common services which do not have justification for variances, to avoid resistance from rate payers. According to Section 13(b) of SI135 of 2019, Local Authorities are expected to set tariffs which reflect the value of services they provide.

## **10.0 Devolution Grant**

10.1 Devolution grants are meant to address developmental imbalances in your jurisdictions. Prioritise high impact projects and provide enough resources to complete the projects. Desist from spreading resources on too many projects which even too heavy for the council to implement. Citizen engagement play a crucial role in devolution project identification

10.2 Local Authorities are encouraged to reconfigure their organisational structures to facilitate efficient and effective utilisation of Devolution Grants.

10.3. The marginalised groups of the community have to be consulted and catered for as well as no one should be left behind in the development agenda of Local Authorities.

### **11.0 Capacity Building**

Councils must provide for capacitation of Councillors to enable them to understand Council processes and do their duties diligently.

### **12.0 Performance Contract**

Accounting officers' performance contracts should be aligned to the Budget estimates and must be signed by both the Accounting officer and the Accounting authority. Performance Contracts should be crafted using the Standard Performance Indicators as attached (Annex 2).

### **13.0 Monitoring and Evaluation**

Provide for capacity building for monitoring and evaluation for sustainable development and service delivery in an effort to achieve national aspirations as espoused in NDS-1. This will engender value for money planning and implementation of projects undertaken.

### **14.0 Investment Promotion and Expansion of Revenue Base**

Local Authorities' policies and tariffs structure must lure investments. Comprehensive strategies must be put in place to stimulate the value chains across industries, commerce and social services as a move to enhance the revenue source base.

### **15.0 Climate Change**

Local Authorities must play an important role in mitigating the causes of climate change and adapting to predicated challenge through local level policy and citizen engagement. Prepare to respond to localised climate change impacts and develop awareness raising campaigns. Implement

disaster risk management and mainstream climate change adaption as well as enforcing by-laws on siting, design, quality and building standards which are climate proofed. Local Authorities are expected to reflect on interventions towards climate change mitigation and adaption.

#### **16.0 Staff Establishment**

Salary schedules should be submitted in compliance with section 288(3) of the Urban Council Act [29:15] and Section 121 (4) Rural District Councils Act [29:13].

#### **17.0 Income Generating Projects**

Local Authorities are not allowed to operate loss making ventures. Continued operation of such ventures amounts to wasteful expenditure, which is not acceptable in the context of the Public Finance Management Act. The extra support must be disclosed as subsidies, identifying sources of the subsidies and authority to subsidise such projects.

#### **18.0 Borrowing Powers**

The Public Debt Management Act section 13 requires submission of a borrowing plan for approval by the Minister and the Minister responsible for Finance and Economic Development. The Borrowing plan will guide determination of the borrowing limit for Local Authorities by the Minister of Finance. It is therefore important for local authorities to establish its borrowing requirements for 2022 financial year.

#### **19.0 Capital Investment Programme**

Internal recapitalization remains a key strategic intervention towards enhancing service delivery. A balance between re-equipping and maintenance of both current equipment and infrastructure stock of council must be maintained. Maintenance and repairs must be

budgeted separately. The maintenance budget must be supported by a comprehensive maintenance program. The maintenance plan must be an annexure to the budget showing specific categories of assets to be routinely maintained.

## **20.0 Gender sensitivity budgeting**

Local Government over the years has been known for demanding gender sensitive budgets. Local Authorities are encouraged to strictly follow a comprehensive guidance given in the Call Circular number 3 (*Annexure 1*).

## **21.0 Budget Submission Deadline**

The submission deadline for the 2022 budgets shall be 15 November 2021.

## **22.0 Interpretation of the Circular**

The interpretation of this circular shall rest with the Secretary for Local Government and Public Works.

 13/10/21

Z. R. Churu

Permanent Secretary for Local Government and Public Works

